



## **Interim Report**

**AUGUST 2002 SPECIAL SESSION OF THE  
57TH MONTANA STATE LEGISLATURE**



## LETTER FROM CHIEF BUSINESS OFFICER

---

The Governor's Office of Economic Opportunity and my position of Chief Business Officer were created by the 2001 legislature. During the course of last summer and fall, I, along with my team, was selected and immediately began the task of developing a long-term strategy to restore Montana's economy to better health. We also undertook the task of developing proposals to make state government more responsive to Montana businesses right now, with their immediate concerns and problems. Over the next four months, we will be completing not only our long-term strategic plan but also an annual report and detailed operating plan that describe our accomplishments this year and our detailed goals and actions for the coming year.

I would not suggest that it is a fortuitous or pleasant occasion that brings the legislature together this summer – difficult decisions will need to be made around our short-term fiscal situation. I do, however, welcome the opportunity to share what the Office of Economic Opportunity has accomplished to date, and what our prospective priorities are. That is the purpose of this report.

Our focus for this year is two-fold. First, we must continue to transition from reactive to proactive in the way we retain, grow and attract businesses in this state. Second, we must continue to build the infrastructure that will make Montana a more competitive and attractive place to conduct business. As a state, we must realize that no matter how difficult the immediate fiscal conditions facing our state are, they will not persist forever. As 200 years of history have shown, global and domestic economies will rebound with time. When that happens, if we have not taken the necessary steps to change the fundamentals of our state's economy, we will still be at or near the bottom in terms of average wages.

We simply must change the fundamentals if we truly want improvement. But, with 450,000 workers in a \$20 billion economy, significant and enduring change will be difficult. How do we start affecting this change? As the famous Greek mathematician Archimedes once remarked, "give me a lever long enough and I can move the world." To be effective we must clearly identify the key leverage points in our economy and begin to apply pressure for change. It will take time and concentrated effort, but the experience of other economies clearly demonstrates that it is possible to succeed if we can maintain our efforts.

After traveling more than 60,000 miles throughout the state in the last nine months, talking to more than 12,000 Montanans and studying the efforts of our 49 sister states (and some foreign countries) I am confident that we have identified the key leverage points in our economy. We know where we need to focus our efforts in order to compete and win in the global economy, but it will take a few more months to understand how best to affect some of the large changes that are needed. In the meantime, we continue to work hard to improve the way we support business retention, expansion and attraction efforts that are occurring in Montana now. We continue to establish stronger relationships with the organizations and agencies that will be vital partners in our long-term efforts. And we have already begun to implement changes that support our long term-strategy.

We will make Montana's economy stronger. I appreciate the opportunity to share our major focus areas and our accomplishments with you.

A handwritten signature in dark ink, appearing to read "Dave Gibson".

Dave Gibson  
CHIEF BUSINESS OFFICER



## TABLE OF CONTENTS

TABLE OF CONTENTS .....	3
ECONOMICS DISCUSSION.....	4
DESCRIPTION OF OFFICE .....	5
Advisory Board .....	5
Office of Economic Opportunity Staff.....	5
PROCESS .....	6
1. Research and Competitive Assessment.....	6
2. Creation of the Framework for Economic Development .....	6
3. Collaboration & Outreach to Stakeholders .....	6
4. Interim Status Report .....	6
5. Strategic Plan Development.....	6
6. Annual Report & Operating Plan.....	6
A STRATEGY FOR ECONOMIC GROWTH.....	8
Business Climate Initiative .....	8
Recruitment Initiative .....	8
Cluster Strategy Initiative .....	8
Technology Transfer Initiative .....	8
Workforce Development Initiative .....	8
Organization Structure Initiative.....	8
BUSINESS CLIMATE INITIATIVE .....	9
Why a Business Climate Initiative? .....	9
What Will A Business Climate Initiative accomplish? .....	9
Current Status.....	9
RECRUITMENT INITIATIVE .....	10
Why Business Recruitment? .....	10
What Will A Business Recruitment Initiative Accomplish? .....	10
Current Status.....	10
CLUSTER STRATEGY INITIATIVE.....	11
Why Clusters? .....	11
What Will The Cluster Initiative Accomplish? .....	11
Current Status.....	11
TECH TRANSFER INITIATIVE.....	12
Why Technology Transfer? .....	12
What Will Technology Transfer Accomplish? .....	12
Current Status.....	12
WORKFORCE INITIATIVE .....	13
Why Workforce? .....	13
What Will A Workforce Initiative Accomplish? .....	13
Current Status.....	13
ORGANIZATION FOR SUCCESS INITIATIVE .....	14
Why Does Organization Matter? .....	14
What Will A Successful Organization Accomplish? .....	14
Current Status.....	14
ACCOMPLISHMENTS .....	16
ACCOMPLISHMENTS .....	16
Strategic Planning Process .....	16
Promotion of Economic Clusters.....	16
ACCOMPLISHMENTS .....	17
Technology .....	17
Work Force Development.....	17
Business Climate.....	17
ACCOMPLISHMENTS .....	18
Business Climate (continued) .....	18
Business Recruitment.....	18



## ECONOMICS DISCUSSION

For the past 60 years, Montana's prosperity, relative to the other states in the union has been steadily declining. Certainly there have been periods of short-term improvement, but those instances have proved fleeting and the long-term trend has been unmistakably downward. Montana now ranks in the bottom five in most measures of income and wages among the 50 states.

### So why has this occurred?

Growth by itself has been the problem. In the past 20 years, Montana's Gross State Product has increased more than 300%. At the same time, our per capita income has declined from a rank of 33 to 47 among the other states. It is this type of growth that has fueled our decline. Note in the charts below the shift in jobs from relatively high paying sectors like manufacturing to lower paying sectors like retail. Montana continues to grow fastest in jobs requiring lower worker skill levels that have correspondingly lower wages.

This shift to lower paying jobs has had an unmistakable effect on our ability to provide good paying jobs for Montanans.

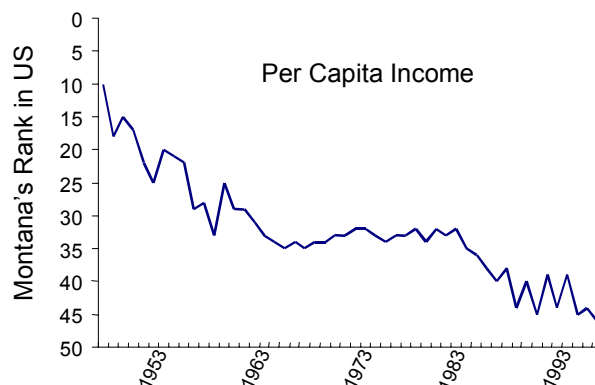
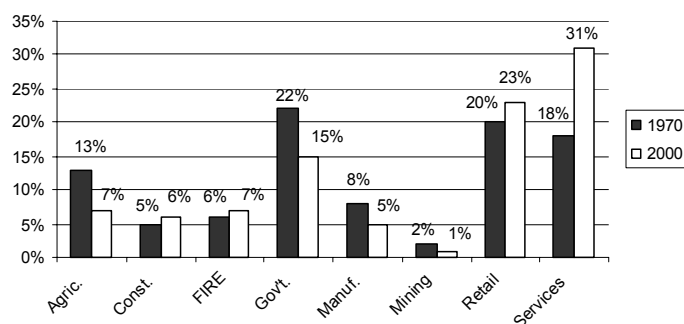
To affect long-term improvements in our economy, we will have to make some fundamental changes in the way we attract and retain businesses and create jobs. We must also be realistic about the time it will take to affect these changes. In the ten-year period between 1990-2000, the three states that most improved their per capita income did so by increasing their rank an average of 9 spots among the states. These are "best in class" results. For Montana to have achieved this level of performance, we would have to have seen our per capita income increase an additional \$2,000 in the previous decade – about 8.5% higher than what Montana actually did achieve.

One way to look at the magnitude of this task is to determine how many jobs we would need to have created in the past decade to achieve this "best in class" increase in per capita income.

In fact, it would have taken an additional 68,000 new jobs, each paying at least \$40,000 per year, to have the necessary impact.

To accomplish this magnitude of improvement in the next decade, we will have to focus on objectives that go beyond just trying to create jobs directly. We need to identify the types of companies and jobs that, when created, reverberate through the economy and have a dramatic, synergistic effect on creating other companies and jobs. Beyond the important work of directly trying to attract and grow the right type of "high leverage" jobs, we must also identify those factors like research and education that indirectly fuel significant wage growth over time. This takes a focused coordinated strategy. We cannot hope to reach the level of economic prosperity our citizens deserve without such a strategy to focus all our efforts.

1970 - 2000 MT GSP by Industry





## DESCRIPTION OF OFFICE

---

In the 2001 Legislative Session, Governor Judy Martz proposed the formation of a statewide office to coordinate economic development. The Legislature created the Office of Economic Opportunity within the Governor's Office and associated funding to begin on July 1, 2001. As outlined in MCA 90-1-112, the purpose of this office is to **provide a vision and a direction through the development of strategies and initiatives to ensure that the state's role in expanding the economy takes place in an orderly and effective manner.**

### Advisory Board

In January 2002, Governor Judy Martz formed the Advisory Council to provide direction and oversight to the Office of Economic Opportunity. The Council first convened in February 2002 and meets approximately once a month in various locations around the state. The Economic Development Advisory Council is made up of the following members:

Turner Askew  
President, Turner Askew and Associates, Whitefish

Jerry Driscoll  
Executive Secretary, AFL-CIO, Helena

Dave Kasten  
Representative, HD 99, Rancher, Brockway

Scott Mendenhall  
Executive Director, Jefferson Local Development Corp., Whitehall

Sharron Quisenberry  
Dean, College of Agriculture, MSU-Bozeman

Tom Scott  
Chairman, First Interstate BancSystem, Billings

Will Weaver  
Consultant & Former Dean, Great Falls College of Tech., Great Falls

### Office of Economic Opportunity Staff

Chief Business Officer Dave Gibson leads the Office. The staffing of the Office began with Dave's hiring in August and was completed by November 2001. The entire team is listed below:

Dave Gibson  
Chief Business Officer

Jason Hanson  
Technology and Infrastructure

Mark Lindberg  
Energy and Agriculture

Quinn Ness  
Business Retention and Recruitment

Desiree Taggart  
Workforce Development

Lynette Brown  
Office Manager



## PROCESS

---

Any successful strategic planning effort requires a process to both research alternatives and get the involvement of important individuals and groups that will be needed to implement the plan. If the process is too abbreviated, and key constituents are not adequately involved, then the plan will surely fail, no matter how well written. However, a planning process that is too long can take on a life of its own, become too complicated and lose focus on the critical few initiatives that will guide the overall efforts. To fulfill our legislative mandate, the Office of Economic Opportunity has developed a process that we believe balances speed, thoughtful research and the involvement of as many constituent groups as possible. This is a six-stage process. We have currently completed stage four and are nearing completion of stage five.

### **1. Research and Competitive Assessment**

Understanding our state's economy is crucial to a well thought-out strategy. Utilizing quantitative and qualitative data, our team performed an assessment of the Montana economy. We reviewed Montana's previous strategic plans and the plans of other cities and states around the country to identify best practices. Montana was benchmarked against other states and a comparison of state economic indicators was completed. In addition, meetings and discussions were held with stakeholders from across the state to gain their insight into Montana's economy.

### **2. Creation of the Framework for Economic Development**

This document, published in January, served to target the economic development discussion and stimulate more focused ideas from stakeholders across the state.

### **3. Collaboration & Outreach to Stakeholders**

In an effort to understand the most important issues facing the state's economy and prioritize the initiatives to address them, the Office of Economic Opportunity sought input from stakeholders around the state. A broad spectrum of stakeholders, including the private and nonprofit sectors and all levels of the public sector, has been engaged in the planning process. We held 15 listening sessions around the state to be sure we received general public input. The governor also formed an advisory council to help guide our overall process and decision-making during development and implementation of the plan.

### **4. Interim Status Report**

This document is an interim status report and highlights the Office of Economic Opportunity's progress to date, current focus areas, and next steps. It has been created primarily for the Special Session of the Legislature scheduled to convene the first week of August 2002. The report will be available to those interested in the activities of the office.

### **5. Strategic Plan Development**

The Strategic Plan will be released in the fall of 2002 and will be a roadmap for the state's economic development efforts over the next 10 years. It will contain new ideas generated through collaboration and input from stakeholders in addition to more detail regarding many of the strategies and goals put forth in the Framework for Economic Development.

### **6. Annual Report & Operating Plan**

The Annual Report & Operating Plan will describe our annual accomplishments and our detailed goals and actions for the coming year. The Annual Report is a performance report in which progress is evaluated. The Operating Plan will present responsibility, resources, time frame, and priorities for implementation and will be focused principally on the coming year's activities. This will be a recurring annual set of reports.



## Strategy For Economic Growth



## A STRATEGY FOR ECONOMIC GROWTH

---

Based on our research, benchmarking analysis and the input of Montanans, the strategic plan will focus on six primary themes. We are still discussing some of the details within these focus areas, but we are confident these areas of emphasis are the key ingredients in leveraging our economy to greater prosperity.

### **Business Climate Initiative**

Montana must create and maintain a competitive business environment where companies that utilize Montana worker skills and technology can prosper-- or they will simply exit the state. In Montana, most businesses are small businesses and a better business climate with a competitive tax and regulatory structure will ensure these companies remain in the state as they grow. In addition, access to capital must be more accessible and we must maintain our strong public education system.

### **Recruitment Initiative**

Montana must have a comprehensive and long-term recruitment strategy to target and attract industries that support our industry clusters. This strategy will serve to highlight Montana's competitive advantages to businesses and individuals outside the state of Montana and attract new companies that support our existing businesses.

### **Cluster Strategy Initiative**

In order to focus our scarce resources, we must develop a strategy centered on Montana's existing and emerging industry clusters. We must first clearly identify these economic clusters and then focus all our efforts on growing these interrelated groups of companies. This will require that we begin to focus all of our other supporting programs (financial, work-force, regulatory, technical support, etc.) on growing these clusters.

### **Technology Transfer Initiative**

In an economy that continues to globalize, Montana firms (and all other economies in the United States) will have to compete with lower wage economies around the world. Our businesses must offset this global wage differential by utilizing better technology and higher skilled workers with higher wages. The way to compete is to have even higher productivity. It is imperative that partnerships and active collaboration exist between higher education, state government, economic development groups and the private sector to accomplish this. One of the critical areas of collaboration includes research and commercialization of that research. Technology will fuel higher productivity and higher wages in all industries.

### **Workforce Development Initiative**

The availability of a skilled workforce has become one of the most important issues for attracting and retaining businesses that provide higher paying jobs. Workforce skill level is a key driver of innovation and productivity improvement across all industries. The success of Montana's economy depends on our ability to continuously raise the skill level of our workers. If our education and workforce training programs are not fully responsive to the rapidly changing needs of Montana businesses, we cannot hope to retain our citizens or grow our average income levels.

### **Organization Structure Initiative**

In highly innovative regions the private sector plays an active role in identifying challenges and working collectively with government to address them. Montana's government must have an organizational structure to achieve this collaboration and proactively support business growth across all industries over the long-term.





## BUSINESS CLIMATE INITIATIVE

---

### Why a Business Climate Initiative?

Government actions directly affect Montana citizens and businesses. Montana's business climate must be competitive in order for our economy to provide good paying jobs. After months of discussion with the citizens of the state in addition to conducting benchmarking analysis with other states around the country, we believe our first priority should be to address the following four areas affecting Montana's business climate: access to capital, regulatory and permitting processes, tax structure and our K-12 system.

### What Will A Business Climate Initiative accomplish?

- Montana's tax structure will be improved to eliminate the capital gains surcharge and our high top marginal rates. Certain elements of our tax structure are not competitive with other states and put our economy at a severe disadvantage in attracting and retaining good paying jobs
- Montana businesses' access to capital will be improved in a manner that includes business technical support and oversight. Montana businesses need capital to start and expand. In addition to capital, many businesses need assistance in key areas of management – as decisions in the early stages of company development are critical.
- Montana state government's regulatory and permitting processes will be improved while ensuring that these processes continue to protect Montanans and the environment. We understand that regulated businesses desire compliance over violation and will work to continually improve and measure these processes.
- Our K-12 system must remain a strong competitive advantage for Montana. An educated workforce is critical to attracting and growing knowledge-intensive, entrepreneurial businesses.

### Current Status

The Governor has proposed a tax plan that will eliminate the state's capital gains surcharge and our high top marginal rates. Tax committees have been formed and are currently working to discuss and make final recommendations for change. A legislative agenda will be developed based on those recommendations.

A public/private task force has been formed to evaluate and improve the access to capital in Montana. This group will evaluate the state's public and private finance programs and incentives, financing gaps and current program effectiveness.

A task force external to state government will be formed to develop recommendations regarding permitting and regulatory processes. As the task force develops recommendations, top priority will be given to those that impact Montana's target or primary industries.

The Governor's Public School Funding Advisory Council recommendations along with those from Legislature's Interim Education Committee will be made to the Governor in the next two months regarding structural changes to the school funding mechanism.



## RECRUITMENT INITIATIVE

---

### Why Business Recruitment?

The attraction of new businesses into an economy can quickly increase the tax base, jobs and the diversity of the state economy. Business attraction is the most publicized and visible economic development tool because it creates many jobs at one time and because of the use of incentives and marketing.

To be effective in business attraction and recruitment in the long-term, the State of Montana must develop a recruitment initiative focused on promoting a favorable business climate and other location factors important to specific businesses. For most businesses outside of Montana, our state is simply not on the radar screen as a place to do business. The State of Montana is often perceived as a wonderful place to visit, but the perception of Montana's business climate is relatively unknown. Our attraction efforts must also be consistent with our Cluster Strategy so we ensure new businesses are synergistic with our existing industries.

### What Will A Business Recruitment Initiative Accomplish?

In order for Montana to successfully attract and recruit businesses we must:

- **Create an awareness of Montana's strengths** as a place to do business through a focused business recruitment effort.
- Identify areas where the business recruitment effort can **collaborate** with statewide allies to leverage state and local recruitment efforts.
- **Generate recruitment leads** and promote Montana's key competitive advantages to individual businesses resulting in the **location** of businesses to Montana.

### Current Status

The key to the state's business recruitment initiative is to have a detailed understanding of industry and investment trends and location drivers from the investing companies perspective and the inherent strengths and weaknesses of competing states and countries. This information will be provided from the Cluster Initiative and will drive the development of a marketing blueprint.

While we complete our cluster analysis and the resulting marketing blueprint, we continue to actively pursue marketing leads generated either through our efforts or those of the local economic development groups around the state. We also are actively improving our marketing infrastructure issues such as efficient due-diligence processes, handling of leads, relationships with major site-selection firms and web site/data collection that are essential to our efforts irrespective of the cluster initiative analysis.



## CLUSTER STRATEGY INITIATIVE

### Why Clusters?

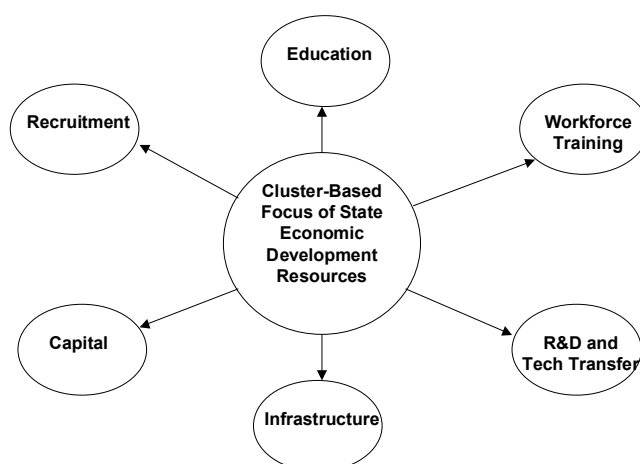
Clusters are geographically close groups of interconnected companies and associated institutions in a particular field, linked by common technologies and skills. For example, similar manufacturing companies within a region can share research, collaborate on business problems and have greater access to a trained workforce. In a state with limited resources, we must focus those resources to attain world-class technology and worker skill training. Through partnerships with local communities, the cluster initiative will drive state resource allocation and highlight opportunities for coordination and collaboration. Clusters will align with the nature of competition and the sources of competitive advantage and capture important linkages and spillovers of technology, skills and information that cut across firms and industries.

### What Will The Cluster Initiative Accomplish?

- An analysis of Montana's economic regions to identify and document each area's competitive advantages.
- Identification of both established sectors of high concentration as well as emerging industry sectors that may not be apparent from a macro-level data perspective.
- Identification of growth sectors with a high potential for entrepreneurial activity.
- Identification of deficiencies, gaps in types of businesses or institutions, and inadequate linkages in current or potential clusters.
- A methodology by which all Montana communities can perform micro-level cluster analyses and identify promising entrepreneurs within those clusters.

### Current Status

Montana has engaged, through a competitive bid process, the services of Regional Technology Strategies, Inc. (RTS) to perform the Montana Cluster Study. RTS, Inc. is nationally recognized with a knowledgeable management team that is highly experienced in how cluster development strategies can be successful in rural areas. The study is currently in progress and will be completed by the end of 2002. As the analysis is being performed, we will begin to integrate the results with our Recruitment Initiative in a concurrent process. A well-developed cluster analysis will also allow us to focus our other efforts throughout the state.





## TECH TRANSFER INITIATIVE

---

### Why Technology Transfer?

Business decisions were once driven by access to raw materials and transportation networks. Today's businesses are attracted to areas conducting world-class research. However, world-class research and development capacity alone will not accelerate the growth of knowledge-based companies to a competitive rate. Montana must capitalize on the technologies created by our research centers and create a system that assists scientists and entrepreneurs in developing start-up companies. The importance of a technology transfer initiative has long been supported by numerous industry sectors, ranging from biotechnology to computer science and agriculture.

### What Will Technology Transfer Accomplish?

By driving technology from Montana's research institutions into the Montana economy, we will ensure that our firms can continue to compete with lower paying economies worldwide by utilizing innovative technology and a world-class workforce. To successfully drive technology into our economy, Montana must:

- Provide direction and incentives to the Montana University System to emphasize research with a high likelihood of transferability into our state's economy.
- Partner with non-Montana University System affiliated research institutions within the state to encourage technology transfer.
- Encourage the growth of businesses centered on our research centers of excellence.

### Current Status

The initial stage of our R&D initiative is our assessment of our current capabilities. This work will be conducted with the cooperation of the Montana University System, particularly the leadership of the two major research campuses, and their respective technology transfer organizations.

Following the analysis, an Office of Technology Transfer (or some entity) should be tasked with a mission to coordinate among Montana's research institutions to dramatically increase research and technology transfer to Montana's private sector. In addition, research centers of excellence need to be clearly identified or created to facilitate technology transfer in targeted areas. And finally, incentives must be developed for the Montana University System to be rewarded for achieving increased technology transfer into Montana's economy.



## WORKFORCE INITIATIVE

---

### Why Workforce?

Montana's success in diversifying its economy will largely depend on the presence of a highly motivated, strategically educated workforce with a highly developed capacity for critical and innovative thinking.

An example of the importance of a highly qualified workforce: A major reason Dell did not come to Montana was due to low unemployment and our inability to prove underemployment. Underemployment occurs when a labor pool exists that is currently inadequately employed at low-paying jobs that require less skill or training than the workers possess.

### What Will A Workforce Initiative Accomplish?

- Conduct an inventory of current distance-learning programs to remove barriers to expansion. Specifically consider dropping out-of-state tuition requirement for distance-learning programs in order make Montana's programs more cost-competitive.
- Create a state workforce-training fund directed toward incumbent worker training.
- Evaluate existing 2-year college system structure in order to make the necessary changes to ensure it is responsive to changing workforce needs. Changes may include altering the structure of the 2-year system.

### Current Status

A labor study is underway to determine the level of underemployment in Montana. This study will be critical to our efforts to attract good-paying jobs to the state. In addition, a partnership with the 2-year colleges and the Office of the Commissioner of Higher Education has been developed in order to study potential organizational structure changes to the 2-year system. Expected completion date of the labor and 2-year study is October 2002 and will be followed by draft legislation to address 2-year college structure, non-FTE education funding, and the Workforce Training Fund.



## ORGANIZATION FOR SUCCESS INITIATIVE

### Why Does Organization Matter?

Relationships between state government, the Montana University System and the private sector must become stronger for our economy to improve. This organization does not occur by chance. Successful states have well-organized lines of communication. A mechanism for the interaction must be constructed with a system of economic development engineered to meet the needs of the business community. In today's business environment, with firms around the nation and the world competing for market share, efficient and effective service delivery is essential.

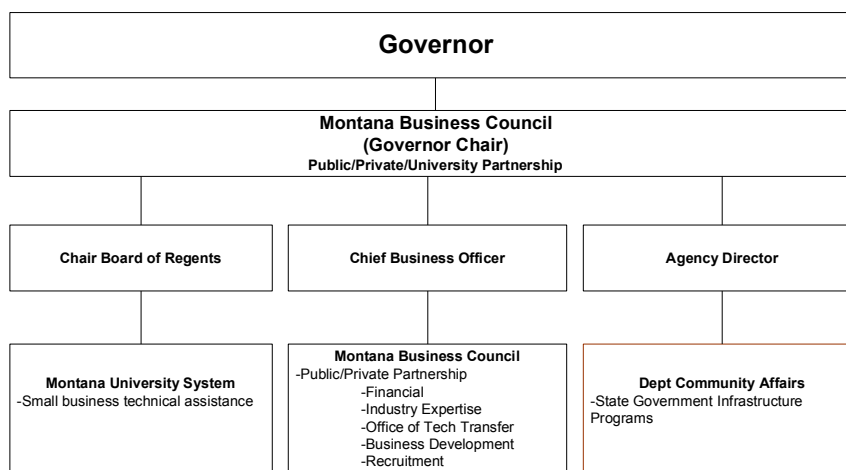
### What Will A Successful Organization Accomplish?

- **Accountability.** Success breeds success. Internal performance measures will assess the effectiveness of our organization and ensure stakeholder value.
- **Competitiveness.** Our environment must be competitive. Continued analysis to determine the economic strengths and weakness of Montana will remain a priority to understand our state's competitive advantages.
- **Continuity.** Relationships must be long-term. Partnerships with local development groups and private businesses will foster an environment that is positive for business.

- **Depth.** In business, experience matters. Montana's economic development system must have deep expertise in the identified industries' clusters.
- **Responsiveness.** Services need to be structured to address the needs and concerns of business people.
- **Innovation.** Change is inevitable. Montana's system of economic development professionals will continually look outside the state for 'best practices' to implement in Montana.

### Current Status

The Office of Economic Opportunity, the Dept. of Commerce and others are actively working on an improved organization structure that better aligns the state's programs with our long-term strategy. A possible alternative to the current structure is outlined below.







## ACCOMPLISHMENTS

---

Our greatest accomplishments to date are the processes we have put in place that will ultimately lead to long-term structural changes. These are the initiatives that will lead to an improved business climate in Montana and help create the tens of thousands of good paying jobs needed to propel us forward. The Office of Economic Opportunity team is small and our resources are limited – adequate if we stay focused on the key leverage points in our economy, but not nearly enough to make “brute force” changes to the overall economy. We have collectively held and participated in hundreds of meetings and met with thousands of people in the course of the last nine months. We have been asked to undertake literally hundreds of individual projects – all of which are important – but we have tried to concentrate on those things that will truly make a difference in our state’s long-term economy to ensure that Montana becomes ‘best in class’ with regard to economic development.

Our top priority is to develop a cohesive strategic plan to focus our efforts for the long-term health of Montana’s economy. As you will see, however, we have not hesitated to work hard to capitalize on opportunities that have arisen as long as they are consistent with our long-term vision. Below is a summary of our major accomplishments and initiatives underway. These are organized in the same manner as we have organized the major initiatives in our strategic planning process. We do have to make choices about how and where we devote time and resources, but if we stay focused we can bring prosperity back to Montana.

### Strategic Planning Process

Strategic planning processes must go through several stages and involve as many major constituent groups as possible if they are to be successful. We will be ready to release a draft of our final plan this fall — the culmination of almost a year’s work involving:

- Strategic benchmarking of other states
- Research visits with state economic development professionals in 8 states surrounding Montana
- Multiple discussions with 42 different Montana industry groups to identify priority areas

- Meetings with 102 different economic development organizations in Montana, some more than a dozen times each
- Preparation of the Framework for Economic Development mid-way through the year to begin focusing the planning process
- 15 different public half-day discussion sessions around the state, including more than 1,000 people, to get input on the Framework
- Creation of an advisory board. This board has convened for half-day meetings every 4-6 weeks since February
- 46 radio/TV/editorial board appearances to promote the need for change and build support for economic development efforts in Montana

### Promotion of Economic Clusters

A realistic and thorough understanding of Montana’s current and emerging clusters is the foundation of our strategic plan. Our clusters analysis will take the balance of this calendar year to complete and our efforts to date have been focused on:

- Benchmarking cluster-based economic programs in other states with particular attention on how rural states have been successful with this approach
- Designing a study to meet Montana’s needs and issuing an RFP for the work
- Awarding the Montana Cluster Study contract and launching the project to ensure completion by year-end





## ACCOMPLISHMENTS

---

### Technology

The use and promotion of technology is a critical ingredient for success in any economy that will provide good paying jobs in the next century. We are striving to build stronger partnerships between the users and providers of advanced technology in Montana. Major initiatives include:

- Formation and leadership of a Small Business Innovative Research (SBIR) team working to significantly increase SBIR awards in Montana
- Meetings with NSSTF and NASA to bring more federal technology and related businesses to Montana
- Developing a statewide IT asset inventory map
- Working closely with technology transfer organizations in the Montana University System to evaluate better ways to commercialize R&D in the State of Montana
- Participation in both Montana University System outreach tours in central/eastern Montana

### Work Force Development

A skilled workforce has become the single most important issue in business retention and attraction. This past year's efforts at improving worker skills and training in Montana have been centered on four major initiatives:

- Providing leadership for the State Workforce Board, including the formation of an executive board and three sub-committees, to focus the board on making substantial improvements to Montana's workforce training programs
- Managing a study of our statewide workforce profile to identify gaps in training/education and respond effectively to business' workforce related needs. (A major reason Dell did not come to Montana was due to low unemployment and our inability to prove underemployment – something this study will specifically address)

- Partnering with the Office of the Commissioner of Higher Education to evaluate the current structure of the state's 2-year system and make recommendations for change by November of this year
- Developing legislation to create significantly greater resources for businesses to fund workforce training in the state

### Business Climate

Improvement in the overall business climate in Montana is perhaps the most critical foundation issue for restoring economic health to our economy. Our first priority is to understand and address the current needs of Montana's existing businesses. Our other major priorities include improving access to capital, reforming Montana's tax structure, and working hard to improve critical infrastructure. Major accomplishments include:

- Conducting more than 250 retention visits to Montana businesses in the past 9 months
- Co-sponsoring a Montana seed and venture capital forum in August
- Creation of an Access to Capital Task Force to develop ways to make capital more accessible to Montana Businesses including representatives from investment banking, venture capital, local community financing, Board of Investments, commercial banking and Dept. of Commerce
- Co-leading (with Director of Revenue) development and promotion of significant tax-reform proposal for Montana



## ACCOMPLISHMENTS

---

### Business Climate (continued)

- Representing Montana with the Western Area Power Administration's (WAPA) regional transmission constraints study
- Selected to be a member of MDT Tran-Plan 21 steering committee to insure economic development objectives are fully integrated into transportation strategy
- Sponsoring and/or co-sponsoring 3 grants worth an aggregate \$2 million to support economic development and capacity building in Montana – grants should be awarded later this year

### Business Recruitment

To unleash the real value in statewide recruitment and attraction efforts, it must be done in the context of a well thought-out strategic plan. We need to actively target certain “high-leverage” industries and companies and get very focused. Recruiting takes time and relationships must be developed. Montana is simply not on the map for most businesses looking to expand or relocate. However, as we have worked hard to develop the business recruitment initiative and develop key relationships, we have also worked hard to capitalize on the opportunities that present themselves immediately.

To date we have...

- Active involvement in 27 different business recruitment projects to bring new companies to Montana.
  - 25 projects involving 2,200 new Montana jobs are still active – good projects take time
  - We will not get all 2,200 jobs but we will be successful in competing for many of these 25 projects
- Implemented a thorough and detailed due-diligence process to evaluate companies and projects seeking state assistance at the beginning of a project and to assist communities in evaluating risk

- Attended 3 promotional events with community and private sector partners to promote Montana as a business location
  - Core-Net in Salt Lake City – large companies, global real-estate
  - IT-Open in Williston – large and small IT companies
  - Ag-Open in Williston – large and small agriculture companies
  - Counties Represented:
 

Yellowstone	Cascade
Flathead	Silver Bow
Valley	Daniels
Sheridan	Richland
McCone	Dawson
Roosevelt	Garfield
Rosebud	Treasure
Powder River	Carter
Fallon	Custer
Prairie	Wibaux

- Participated in the most recent Mexico trade mission for agriculture
- Met with 11 major site location-consulting firms, 22 corporate real estate executives and 40 commercial real estate professionals to put Montana on the site locators' map
- Developed a strategic, long-term recruitment initiative that includes a communication strategy focused on supporting large and small Montana communities that cannot afford to individually develop professional marketing materials
- Continue to revise the BizMT web site to comply with international (IEDC) recruiting standards for content, functionality and access to required data
  - Searchable commercial properties database for Montana
  - New site will include a Montana Business Network. This network will facilitate Business-to-Business interaction by putting all Montana businesses online
  - New site will launch in August and will eventually include local community profiles
  - New site will was completed this past year through a partnership with the State of Montana's Department of Administration